

For Immediate Release
May 23, 2005

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Important note. *There will be no individual available to respond to media inquiries on Tuesday, May 24. We regret any inconvenience.*

TRS BOARD ACTION SUMMARY

The Board of Trustees of the Teachers' Retirement System of the State of Illinois took the following actions at a meeting held May 19 and 20 in Springfield.

- Hired Barclays Global Investments and T. Rowe Price to manage \$900 million each in their S&P 500 stocks-based enhanced index products. The source of funds will be equity index accounts funds managed by Northern Trust Investments (NTI) and State Street Global Investments (SSgA). Callan Associates assisted.
- Adopted an FY2006 private equity tactical plan, calling for commitments of approximately \$600 million, depending on market conditions. The estimated allocation of the likely commitments is:

Venture Capital	\$ 225,000
Buyouts	300,000
Special Situations	50,000
Subordinated Debt	<u>25,000</u>
	<u>\$ 600,000</u>

Callan Associates assisted in the preparation of the tactical plan.

- Learned that Callan performance measurements placed the fund in the top 20 percent of large public funds for the one-, three-, and five-years ended March 31, 2005. The fund earned 8.5 percent on its investments for the year ended March 31, 2005, ranking in the 19th percentile in the Callan Large Public Funds Universe. The fund was in the 8th percentile for three-year period and in the 16th percentile for the five-years ended March 31, 2005.
- Committed \$45 million to the Banc Fund VII, L.P., a private equity fund investing in U.S.-based sub-regional financial services firms.
- Committed \$25 million to Wind Point Partners VI, L.P., a buyout fund targeting middle market companies.
- Committed \$20 million to Granite Ventures II, L.P., an early-stage venture capital fund.

- Approved a change in the international equity structure calling for active management of approximately \$670 million presently invested passively in an SSgA Optimized EAFE Index. A search for up to two firms to manage an active international equity growth mandate was authorized. Interested candidates should contact Callan Associates.
- Approved investment policy changes authorizing an emerging manager program.

The fund will gradually build to a \$500 million target through a structured internal program to identify promising developing public markets investment managers. Interested firms should complete a manager questionnaire that will be available online beginning July 1 through the fund's Web site, trs.Illinois.gov. Questionnaires will not be available prior to the online posting.

TRS staff does not expect to reach the emerging manager target during the coming fiscal year because of the required due diligence activities.

- Selected Trustee Molly Phalen of Rockford as board vice-president. James Bruner of Jacksonville and Cynthia O'Neill of Carlyle were elected chair and vice chair, respectively, of the investment committee. State Superintendent of Education Dr. Randy Dunn is the ex-officio president of the Board of Trustees.
- Affirmed the current asset allocation following a study by Callan Associates. The existing allocation is as follows:

Domestic Equity	43%
International Equity	15%
Fixed Income	25%
Real Estate	12%
Private Equity	4%
Short-term	1%

- Removed Ariel Capital from the watch list. The firm, which manages a \$438 million domestic small-mid cap value mandate, had a strong quarter that pushed three-year rolling performance above the benchmark.
- Placed Delaware Investment Advisors on the watch list for performance and organizational reasons. The firm manages a \$509 million small/mid-cap domestic equity mandate. The organizational reasons pertain to the retirement of the firm's chief investment officer.
- Maintained the watch list status of the following firms:
 - Artisan Partners, which manages a \$439 million international equity mandate, remains on the watch list for performance reasons.
 - Boston Partners, which manages a \$738 million domestic large cap value mandate, remains on the watch list for performance reasons.
 - INVESCO Global Asset Management, which manages an \$856 million international equity assignment, remains on the watch list for performance reasons.

- Northern Trust Investments, which manages a total of \$1.0 billion in four passive (index) funds, remains on the watch list for organizational reasons following the departure of three senior employees from its quantitative management division.
- J & W Seligman, which manages a \$271 million small-mid cap domestic equity growth mandate, remains on the watch list for performance reasons.

TRS is the retirement system for public school teachers and administrators employed in all Illinois public schools except the city of Chicago. It serves over 325,000 members and annuitants and had assets exceeding \$33.1 billion at March 31, 2005.

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